

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 CIEP-01 FAA-00 L-03 TRSE-00

PRS-01 PA-01 OPIC-03 /038 W

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R 301535Z NOV 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3690

INFO USMISSION USBERLIN

AMEMBASSY BERLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: EAIR, WB

SUBJECT: POSSIBLE SUCCESSOR TO AEROAMERICA IN BERLIN

REF: BONN 19193

SUMMARY: REPRESENTATIVE OF AMERICAN CHARTER CARRIER ROSENBALM INC. RECENTLY TALKED TO EMBASSY ABOUT POSSIBILITY OF AIRLINE REPLACING AEROAMERICA AS CHARTER CARRIER IN BERLIN. REPRESENTATIVE BELIEVES AEROAMERICA ABOUT TO FOLD. HE TALKED WITH LARGE TOUR OPERATOR IN BERLIN, AND ROSENBALM WILL COME IN ONLY IF CONTRACT WITH THAT OPERATOR IS SECURED. PAN AM ALSO WILL BE APPROACHED BY THE TOUR OPERATOR. ROSENBALM IS FREIGHT CARRIER WITH NO PASSENGER EXPERIENCE BUT INTENDS TO HIRE PEOPLE EXPERIENCED IN CHARTER FIELD IN BERLIN INCLUDING SOME NOW WORKING FOR AEROAMERICA. EMBASSY TOLD ROSENBALM REP THAT WE WOULD NOT DO ANYTHING TO INCREASE AEROAMERICA'S DIFFICULTIES AND THAT OTHER US SUPPLEMENTS HAVE INQUIRED ABOUT REPLACING AEROAMERICA. WE QUESTION WHETHER CHARTER OPERATIONS IN BERLIN FOR ALL

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CHARTER CARRIERS ARE COMMERCIALY ATTRACTIVE BUT BE-

LIEVE IT ALRIGHT TO LET ANOTHER US CARRIER HAVE A TRY
IF AEROAMERICA SHOULD FOLD. END SUMMARY.

2. EMBASSY VISITED NOVEMBER 23 BY MORTEN S. BEYER REPRESENTING AVMARK INCORPORATED. HE HAD BEEN IN BERLIN CHECKING OUT POSSIBILITIES OF CHARTER OPERATIONS AS CONSULTANT FOR ROSENBALM AVIATION AND WANTED TO TALK ABOUT SAME SUBJECT WITH CAA.

3. BEYER IS A FORMER PRESIDENT OF MODERN AIR, WHICH PRECEDED AEROAMERICA AS US SUPPLEMENTAL CARRIER IN BERLIN. ALTHOUGH HE DESCRIBES HIMSELF AS A CONSULTANT TO ROSENBALM IT APPEARS THAT HE SOLD ROSENBALM ON THE IDEA OF SEEKING TO REPLACE AEROAMERICA AND THAT HE WOULD RUN ROSENBALM'S BERLIN OPERATION FOR AT LEAST THE FIRST FEW YEARS.

3. WHILE IN BERLIN, BEYER HAD INVESTIGATED AEROAMERICA'S PROSPECTS FOR HANGING ON THERE. HE CONCLUDED THAT THEY WERE NOT GOOD. WHILE AEROAMERICA CAN PROBABLY WITH LUCK GET THROUGH THE WINTER SEASON, IT IS IMPERATIVE THAT NEW ENGINES BE PURCHASED BEFORE THE NEXT SUMMER SEASON, AND HE DOUBTS THAT AEROAMERICA CAN RAISE THE NECESSARY CASH. HE SAID AEROAMERICA'S BASIC PROBLEM WAS THAT IT HAD BOUGHT INTO THE BERLIN MARKET AT A PRICE IT COULD NOT SUSTAIN. THAT IS, TO ENTER THE MARKET IT BID FOR THE BERLINER FLUG RING (BFR) CHARTER TOUR CONTRACT AT A PRICE THAT IS ABOUT TEN PERCENT BELOW COSTS.

4. ALTHOUGH HE CLAIMS ROSENBALM IS NOT TRYING TO PUSH AEROAMERICA OUT OF BERLIN AND IS INTERESTED ONLY IF AEROAMERICA DROPS OUT, BEYER HAS TALKED CONTRACT TERMS WITH BFR AS WELL AS OTHER DETAILS AND IN EFFECT MADE AN OFFER. BEYER SAID AEROAMERICA'S CONTRACT ONLY GIVES IT A FIRST REFUSAL RIGHT. HIS OFFER TO BFR WAS ABOUT TEN PERCENT ABOVE THAT FIRM'S CURRENT CONTRACT WITH AEROAMERICA. HE SEEMS TO THINK THAT BFR ACCEPTS THE NEED FOR A PRICE THAT WOULD MAKE THE BUSINESS PROFITABLE FOR THE CARRIER AND THUS AVOID THE CURRENT UNCERTAINTY FACING BFR AS A RESULT OF AEROAMERICA'S FINANCIAL LIMITED OFFICIAL USE

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TROUBLES.

5. BEYER SAID THAT BFR IS VERY CONCERNED ABOUT THE CURRENT SITUATION AND WOULD LIKE TO ASSURE AS SOON AS POSSIBLE THAT EVERYTHING WILL BE ALRIGHT FOR THE NEXT SUMMER SEASON. BEFORE MAKING ANY SORT OF COMMITMENT TO BEYER, HOWEVER, BFR WANTS TO TALK TO OTHER CARRIERS INCLUDING PAN AM. BEYER SAID PAN AM HAS THE RESOURCES

AND IS PROBABLY WILLING TO BID AT LESS THAN COST TO GET THE BFR CONTRACT. TO DO SO, HOWEVER, PAN AM WOULD HAVE TO BRING IN LONGER RANGE AIRCRAFT, BECAUSE BFR WILL NOT ACCEPT ONE-STOP SERVICE WHERE ITS COMPETITION OFFERS NON-STOP SERVICE.

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6. ROSENBALM INC. IS A FREIGHT LINE THAT FLIES ONLY FOR AUTOMOBILE MANUFACTURERS, CARRYING FREIGHT FROM THE MAIN FACTORIES TO ASSEMBLY PLANTS. IT HAS HAD NO PASSENGER EXPERIENCE. BEYER SEES THAT AS NO PROBLEM. HE WILL HEAD THE OPERATION IN BERLIN UNTIL IT GETS ON ITS FEET. ALL THE PERSONNEL OTHER THAN AIRCRAFT FLIGHT DECK CREW IS AVAILABLE IN BERLIN. BASICALLY, HE WOULD RECRUIT FORMER MODERN AIR AND AEROAMERICA EMPLOYEES, SOME OF WHOM HE CONTACTED WHILE IN BERLIN.

7. ROSENBALM HAS RECENTLY ACQUIRED TWO DC-8'S FROM

UNITED AIRLINES WITH THE INTENTION OF CONVERTING THEM TO CARGO USE. HOWEVER, THEY ARE BEING HELD IN PASSENGER CONFIGURATION AND COULD BE BROUGHT TO BERLIN ON VERY SHORT NOTICE, EVEN ONE OR TWO DAYS IF NECESSARY. MORE AIRCRAFT WOULD BE ADDED TO THE BERLIN FLEET AS BUSINESS VOLUME DEMANDED IT.

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8. WE TOLD BEYER THAT THE EMBASSY WISHED TO DO NOTHING TO MAKE AEROAMERICA'S PROBLEMS WORSE THAN THEY ALREADY WERE AND COULD NOT GIVE ANY ASSURANCES OR OPINIONS REGARDING ROSENBALM AS AEROAMERICA'S REPLACEMENT. WE POINTED OUT THAT ROSENBALM WAS NOT THE ONLY OR THE FIRST CARRIER TO INQUIRE ABOUT THE POSSIBILITY OF ENTERING THE BERLIN MARKET. WE AGREED TO GIVE BEYER FORMS TO APPLY FOR PERMISSION TO CONDUCT CHARTER FLIGHTS FROM BERLIN WITH THE UNDERSTANDING THAT THIS IMPLIED NO INTENTION TO HAVE ROSENBALM REPLACE AEROAMERICA.

9. COMMENT: ALTHOUGH IT IS TRUE THAT ROSENBALM IS NOT RPT NOT THE ONLY CARRIER TO SHOW AN INTEREST IN REPLACING AEROAMERICA, IT WOULD APPEAR THAT BEYER HAS GOTTEN A BIG JUMP ON THE COMPETITION BY HIS RECENT ACTIVITY IN BERLIN. IF HE SECURES THE BFR CONTRACT FOR ROSENBALM IT WOULD JUST ABOUT PRECLUDE ANY OTHER COMPETITOR'S ENTERING THE MARKET, UNLESS, OF COURSE, THE CAA'S REFUSED TO PERMIT ROSENBALM TO FLY FROM BERLIN. BY THE SAME TOKEN, IF PAN AM SHOULD GET THE CONTRACT, QUESTIONS OF WHETHER WE SHOULD HAVE ONE OR TWO US CARRIERS IN BERLIN WOULD BECOME ACADEMIC, ASSUMING WE ACCEPT BEYER'S ANALYSIS THAT THE BFR IS THE ONLY SIZEABLE PART OF THE MARKET NOT ALREADY LOCKED UP.

10. WE TOLD BEYER THAT WE WOULD HOPE THAT IF ROSENBALM OR ANY OTHER CARRIER CAME IN THEY WOULD DO SO WITH THE INTENTION TO STAY. AEROAMERICA IS THE FIFTH US CHARTER CARRIER TO TRY ITS LUCK IN BERLIN. WHILE ITS TROUBLES ARE LARGELY BECAUSE OF ITS CORPORATE INSTABILITY, OTHER CARRIERS THAT HAVE WITHDRAWN FROM THIS MARKET WERE APPARENTLY HEALTHY BUSINESSES. THE QUESTION ARISES AS TO WHETHER A CHARTER OPERATION IN BERLIN NOT SUPPORTED BY SCHEDULED PASSENGER OR OTHER NEAR-BY OPERATIONS IS PROFITABLE ENOUGH TO ATTRACT AMERICAN CARRIERS FOR THE LONG TERM. AEROAMERICA HAS FOUND THE OPERATION MARGINAL AT BEST. BEYER SEEMS CONFIDENT THAT A VIABLE OPERATION IS POSSIBLE IF PROPERLY MANAGED. TO DATE, THE COMINGS AND GOINGS OF AMERICAN SUPPLEMENTALS HAS NOT APPEARED TO BE ESPECIALLY TRAUMATIC FOR THE BERLIN PUBLIC, SO IT WOULD SEEM SAFE TO ALLOW ANOTHER AMERICAN CARRIER TO

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HAVE A TRY AT IT SHOULD AEROAMERICA THROW IN THE TOWEL.
STOESSEL

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